



Virginia
Regulatory
Town Hall

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Proposed Regulation Agency Background Document

Agency name	Board of Accountancy
Virginia Administrative Code (VAC) citation	18 VAC 5 -21
Regulation title	Exam Deadline Extension of Prior Exam Requirements for Qualified Candidates
Action title	Exam Deadline Extension
Date this document prepared	9/6/07

This information is required for executive branch review and the Virginia Registrar of Regulations, pursuant to the Virginia Administrative Process Act (APA), Executive Orders 36 (2006) and 58 (1999), and the *Virginia Register Form, Style, and Procedure Manual*.

Brief summary

The proposed amendments' principle focus is to provide an extension to those candidates who qualified under the education requirement prior to July 1, 2006. Significant increases in the requirements to effectively perform accounting and auditing tasks and the creation of new tax laws have expanded the required knowledge base that professional practice in accounting requires. Therefore in response, the Virginia Board of Accountancy implemented the 150 semester hour requirement. The goal of the extension is to provide those candidates who qualified for the exam prior to the deadline and opportunity to pass the CPA exam under the previous guidelines.

Legal basis

Please identify the state and/or federal legal authority to promulgate this proposed regulation, including (1) the most relevant law and/or regulation, including Code of Virginia citation and General Assembly chapter number(s), if applicable, and (2) promulgating entity, i.e., the agency, board, or person. Describe the legal authority and the extent to which the authority is mandatory or discretionary.

The Board of Accountancy has legal authority to promulgate the proposed amendments to its regulations through (1) §§ 2.2-4007 and 2.2-4017 of the Administrative Process Act, (2) Chapter 44 of Title 54.1 of the Code of Virginia, and (3) Executive Order 36 (2006).

Purpose

Please explain the need for the new or amended regulation by (1) detailing the specific reasons why this regulatory action is essential to protect the health, safety, or welfare of citizens, and (2) discussing the goals of the proposal, the environmental benefits, and the problems the proposal is intended to solve.

To fulfill the statutory mandate to ensure that a CPA license is issued to a person who meets the CPA exam requirements established in Virginia, and to provide clarification to those CPA candidates who qualified under the education requirements of the Board to sit for the CPA exam prior to July 1, 2006, the Board of Accountancy seeks to set a deadline of December 31, 2008 for these CPA candidates to pass the CPA exam. The goal of the Board is to enable these candidates to be able to complete the CPA exam in a timely manner and within an achievable deadline, without creating an undue burden on them.

Substance

Please briefly identify and explain the new substantive provisions, the substantive changes to existing sections, or both where appropriate. (More detail about these changes is requested in the "Detail of changes" section.)

The only change to the Board of Accountancy regulation is the establishment of a deadline of December 31, 2008 for those CPA candidates who qualified under the education requirements of the Board to sit for the CPA exam prior to July 1, 2006.

Issues

Please identify the issues associated with the proposed regulatory action, including:

- 1) the primary advantages and disadvantages to the public, such as individual private citizens or businesses, of implementing the new or amended provisions;*
- 2) the primary advantages and disadvantages to the agency or the Commonwealth; and*
- 3) other pertinent matters of interest to the regulated community, government officials, and the public.*

If the regulatory action poses no disadvantages to the public or the Commonwealth, please so indicate.

In an effort to comply with the American Institute of Certified Public Accountants (AICPA) July 1, 2000 decision to amend its bylaws to require 150 semester hours of college education for membership, the Board of Accountancy by unanimous vote during the January 8, 2007 meeting approved amendment of the intended regulatory action. Currently 48 of 54 licensing jurisdictions have passed legislation requiring the higher education standard (many became effective on July 1, 2000, while some will not become effective until 2009).

The amendment to the existing regulations will provide the Board with opportunity to continue to fulfill the statutory mandate to protect the citizens of the Commonwealth by regulating individual CPAs and CPA firms that provide public accountancy services in Virginia. Extensive research performed by the National State Boards of Accountancy (NASBA) and other industry experts have determined the additional hours of education will significantly enhance the knowledge, skills, and abilities of those individuals seeking to practice public accounting.

Requirements more restrictive than federal

Please identify and describe any requirement of the proposal which are more restrictive than applicable federal requirements. Include a rationale for the need for the more restrictive requirements. If there are no applicable federal requirements or no requirements that exceed applicable federal requirements, include a statement to that effect.

The intended amendment to the current regulation is identical to federal guidelines as found in the third edition Uniform Accountancy Act (UAA) which requires 150 semester hours in a baccalaureate or advanced degree that includes an accounting concentration.

Localities particularly affected

Please identify any locality particularly affected by the proposed regulation. Locality particularly affected means any locality which bears any identified disproportionate material impact which would not be experienced by other localities.

The Board does not anticipate any slow down of new licensed CPAs entering the labor market as a result of this proposed deadline. The Virginia Society of CPAs has supported the proposed deadline.

Public participation

Please include a statement that in addition to any other comments on the proposal, the agency is seeking comments on the costs and benefits of the proposal and the impacts of the regulated community.

In addition to any other comments, the board/agency is seeking comments on the costs and benefits of the proposal and the potential impacts of this regulatory proposal. Also, the agency/board is seeking information on impacts on small businesses as defined in § 2.2-4007.1 of the Code of Virginia. Information may include 1) projected reporting, recordkeeping and other administrative costs, 2) probable

effect of the regulation on affected small businesses, and 3) description of less intrusive or costly alternative methods of achieving the purpose of the regulation.

Anyone wishing to submit written comments may do so by mail, email or fax to **Nancy Taylor Feldman, Executive Director of the Board, 9960 Mayland Drive – Suite 402 Richmond, Virginia 23233 , phone (804)367-8540, fax (804)527-4410 and Nancy.Feldman@boa.virginia.gov.** Written comments must include the name and address of the commenter. In order to be considered comments must be received by the last date of the public comment period.

[The following paragraph is optional:]

A public hearing will be held and notice of the public hearing may appear on the Virginia Regulatory Town Hall website (www.townhall.virginia.gov) and can be found in the Calendar of Events section of the Virginia Register of Regulations. Both oral and written comments may be submitted at that time.

Economic impact

Please identify the anticipated economic impact of the proposed regulation.

<p>Projected cost to the state to implement and enforce the proposed regulation, including (a) fund source / fund detail, and (b) a delineation of one-time versus on-going expenditures</p>	<p>The Board does not anticipate any additional incurred cost to implement or enforce this proposed regulation. Candidates who do not complete the requirement are not subject for licensure under the Board's authority.</p>
<p>Projected cost of the regulation on localities</p>	<p>The Board does not anticipate any slow down of newly licensed CPAs entering the labor market as a result of this proposed deadline. The Virginia Society of CPAs has supported the proposed deadline.</p>
<p>Description of the individuals, businesses or other entities likely to be affected by the regulation</p>	<p>825 CPA candidates had taken one portion of the Uniform CPA Exam prior to July 1, 2006. These candidates were permitted to continue to complete the examination process without re-qualifying under the new 150 semester hour requirement.</p> <p>At this time, there are 938 CPA candidates who remain in the process of completing the examination.</p>
<p>Agency's best estimate of the number of such entities that will be affected. Please include an estimate of the number of small businesses affected. Small business means a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.</p>	<p>On July 1, 2006, 1763 candidates for the Uniform CPA Exam were permitted by statute to continue under the 120 semester hour requirement for a period of time not defined in statute or regulation. Since July 1, 2006, 825 of the 1763 have successfully completed the exam. 938 candidates remain in the exam process. Under the proposed regulation, these 938 candidates will have ten (10) opportunities to retake each failed part and successfully complete all 4 parts of the exam prior to the proposed deadline of December 31, 2008. The candidates are aware of the proposed deadline and have not provided any comments to indicate</p>

	<p>that the proposal is wrong or unfair. Most candidates thought they would have to re-qualify under the new 150 semester hour requirement if they had not passed the exam by December 31, 2007, so the additional 18 months were viewed more as a special allowance.</p>
<p>All projected costs of the regulation for affected individuals, businesses, or other entities. Please be specific. Be sure to include the projected reporting, recordkeeping, and other administrative costs required for compliance by small businesses.</p>	<p>Should any of the 938 candidates fail to complete the exam by December 31, 2008, requalification under the 150 semester hour provision will be required; the candidate will lose all credits at that time and will begin as a new exam candidate. Most candidates who qualified to sit for the Uniform CPA exam have completed 140+ semester hours under the education requirement prior to July 1, 2006. The additional ten (10) semester hours could be completed in one semester and would cost as much as \$8000 (\$800 per semester hour-4 year college) and as little as \$2500 (\$250 per semester hour-community college). Many of the candidates' college education is reimbursed by the CPA firm or business employing the future CPAs so there may be little out of pocket costs for those who have been unable to pass the exam in its entirety.</p>

Alternatives

Please describe any viable alternatives to the proposal considered and the rationale used by the agency to select the least burdensome or intrusive alternative that meets the essential purpose of the action. Also, include discussion of less intrusive or less costly alternatives for small businesses, as defined in §2.2-4007.1 of the Code of Virginia, of achieving the purpose of the regulation.

The Board of Accountancy will consider alternative requirements and confirm that the amendment to its existing regulations will ensure that the resulting requirements will be less burdensome and costly to those few CPA candidates who were already qualified to sit for the CPA exam prior to July 1, 2006. This will be done while also continuing to fulfill the Board's statutory mandate to protect the citizens of the Commonwealth by regulating individual CPAs and CPA firms that provide public accountancy services in Virginia.

Regulatory flexibility analysis

Please describe the agency's analysis of alternative regulatory methods, consistent with health, safety, environmental, and economic welfare, that will accomplish the objectives of applicable law while minimizing the adverse impact on small business. Alternative regulatory methods include, at a minimum: 1) the establishment of less stringent compliance or reporting requirements; 2) the establishment of less stringent schedules or deadlines for compliance or reporting requirements; 3) the consolidation or simplification of compliance or reporting requirements; 4) the establishment of performance standards for small businesses to replace design or operational standards required in the proposed regulation; and 5)

the exemption of small businesses from all or any part of the requirements contained in the proposed regulation.

Enter statement here

Public comment

Please summarize all comments received during public comment period following the publication of the NOIRA, and provide the agency response.

Commenter	Comment	Agency response

Family impact

Please assess the impact of the proposed regulatory action on the institution of the family and family stability including to what extent the regulatory action will: 1) strengthen or erode the authority and rights of parents in the education, nurturing, and supervision of their children; 2) encourage or discourage economic self-sufficiency, self-pride, and the assumption of responsibility for oneself, one's spouse, and one's children and/or elderly parents; 3) strengthen or erode the marital commitment; and 4) increase or decrease disposable family income.

Enter statement here

Detail of changes

Please detail all changes that are being proposed and the consequences of the proposed changes. Detail all new provisions and/or all changes to existing sections.

If the proposed regulation is intended to replace an emergency regulation, please list separately (1) all changes between the pre-emergency regulation and the proposed regulation, and (2) only changes made since the publication of the emergency regulation.

For changes to existing regulations, use this chart:

Current section number	Proposed new section number, if applicable	Current requirement	Proposed change and rationale

Enter any other statement here

